functioning in more than one State and hence registered under Multi State Cooperative Societies Act, 2002. There are 35 Multi State Co-operative Banks registered under Multi State Co-operative Societies Act, 2002. RBI is extending all possible help to all the Urban Co-operative Banks (UCBs) including Multi State Cooperative Banks so as to grow them on sound and healthy lines.

(d) RBI has been adopting uniform policy approach towards both multi-state and non multi-state UCBs. However, the following initiatives have been taken by RBI with regard to multi-state UCBs in particular:—

(i) Strong scheduled multi-state UCBs are eligible to open on-site ATM and extension counters on their own without prior permission from RBI;

(ii) Extended time up to 31st May, 2005 for arriving at One-time Settlement with regard to hardcore Non-Performing Assets (NPAs);

(iii) Eligible banks meeting certain criteria are being permitted to float subsidiaries for undertaking business incidental to banking, etc.

(e) No specific demands from multi-state cooperative banks as a class has been received by RBI. However, requests from individual UCBs including multi-state UCBs are examined in the light of extant instructions.

Reduction in exposure limit for advances by Urban Co-operative Banks

1358. SHRI S.M. LALJAN BASHA: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that RBI has reduced the exposure limit for advances by Urban Co-operative Banks from 20 per cent to 15 per cent of capital funds in the case of individual borrowers;

(b) to what extent will this new policy help in creating liquidity for UCBs;

(c) whether RBI will also consider giving a one-time injection of funds to traditionally healthy UCBs; and

(d) if not, what steps will RBI take to encourage UCBs in the country to help this special clientale?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) and (b) Yes, Sir. Reserve Bank of India have issued instructions to Urban Co-operative Banks (UCBs) on 15th April, 2005 as measure of prudential exposure limits for borrowers and in line with the best practices. The definition of capital funds has been widened, which consists of both, Tier I and Tier II capital. The revised limit will enable sound banks having strong capital to extend higher amount of loans to individual borrowers and to contain their credit risk by wider dispersion of loans thereby discouraging credit concentration.

(c) and (d) No, Sir. However, UCBs having past accumulated losses may approach RBI. Such cases will be decided by RBI on a case to case basis so as to ensure that lending activities of banks, having past accumulated losses are not hampered due to the revised guidelines.

Reclassification of assets

1659. SHRI EKANATH K. THAKUR: Will the Minister of FINANCE be pleased to state:

(a) whether Government are aware that as per the available statistics, 80 per cent of the net profits in the banking industry had been used to write off bad loans in the last couple of years;

(b) whether it is a fact that in a bid to clean up balance sheets, most banks have been reclassifying these assets which is an eyewash; and

(c) if so, the steps Government propose to take to check the practice of reclassification of accounts that has resulted in cleaning up of NPAs?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) No, Sir. The write-off of bad loans in the last two years for public sector banks has been around 51% of the net profits.

(b) No, Sir. The classification of assets, income recognition and provisioning is based on the prudential norms and guidelines issued by RBI.

(c) Does not arise.